

**McKendree Village, Inc.
Hermitage, Tennessee**

**Cost Report and Resident Accounts
For the Period
July 1, 2001, Through June 30, 2002**

Arthur A. Hayes, Jr., CPA, JD, CFE

Director

Gregg S. Hawkins, CPA

Assistant Director

Donna Crutcher, CPA

Audit Manager

Robert McCloud, CFE

In-Charge Auditor

Tammy Thompson, CFE

Melissa Wilson

Auditors

Amy Brack

Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

TennCare/Medicaid audits are available on-line at www.comptroller.state.tn.us/sa/reports/index.html.

For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

**John G. Morgan
Comptroller**

May 18, 2004

The Honorable Phil Bredesen, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

Mr. Manny Martins, Deputy Commissioner

Bureau of TennCare

Department of Finance and Administration

729 Church Street, Fifth Floor

Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of McKendree Village, Inc., Hermitage, Tennessee, for the period July 1, 2001, through June 30, 2002, and resident accounts for the period July 1, 2001, through June 30, 2002.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
03/091

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
McKendree Village, Inc.
Hermitage, Tennessee
Cost Report and Resident Accounts
For the Year Ended
July 1, 2001, Through June 30, 2002

**THE EXAMINATION FOUND NO MATERIAL DEFICIENCIES OR DISCREPANCIES IN THE COST REPORT OR
THE ACCOUNTS.**

**McKendree Village, Inc.
Hermitage, Tennessee
Cost Report and Resident Accounts
For the Period
July 1, 2001, Through June 30, 2002**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	2
INDEPENDENT ACCOUNTANT'S REPORT	3
FINDINGS AND RECOMMENDATIONS	5
• This Medicaid report contains no findings.	

McKendree Village, Inc.
Hermitage, Tennessee
Cost Report and Resident Accounts
For the Period
July 1, 2001, Through June 30, 2002

INTRODUCTION

PURPOSE AND AUTHORITY OF THE EXAMINATION

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

BACKGROUND

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

McKendree Village, Inc., Hermitage, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by McKendree Village, Inc., a nonprofit corporation. The officers/members of the board of directors are as follows:

Norman Urmy
Rick Wagers
Dr. Robert Dittus
Don Hancock
Rev. Jerry Mayo
Dr. Harry Jacobson
Jeff Kaplan

Dr. Lynn Webb
Russell White
Bob Sullins
Lucy Carter
David Posch
Peggy Hickman
Bishop William Morris

During the examination period, the facility maintained a total of 300 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 109,500 available bed days, 37,026 were for Medicaid NF-1 residents and 1,486 were for Medicaid NF-2 residents for the year ended June 30, 2002. Also, the facility reported total operating expenses of \$21,482,713 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and resident services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Level I NF (744-0130)</u>	<u>Level II NF (044-5021)</u>
July 1, 2001, through June 30, 2002	\$ 107.00	\$ 154.55

PRIOR EXAMINATION FINDINGS

The prior report of McKendree Village, Inc. for the period July 1, 1990, through June 30, 1991, contained no findings.

SCOPE OF THE EXAMINATION

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765**

Independent Accountant's Report

June 5, 2003

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Manny Martins, Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated June 5, 2003, that McKendree Village, Inc. complied with the following requirements during the cost report period July 1, 2001, through June 30, 2002, and to the facility's resident accounts for the period July 1, 2001, through June 30, 2002.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid resident days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85% occupancy rule, and the 60-day therapeutic leave day rule.

- Charges to residents and charges to residents' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

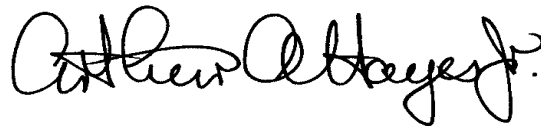
Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about McKendree Village, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on McKendree Village, Inc.'s compliance with specified requirements.

Our examination disclosed no material exceptions.

In our opinion, management's assertions that McKendree Village, Inc. complied with the aforementioned requirements for the cost reporting period July 1, 2001, to June 30, 2002, and for resident accounts for the period July 1, 2001, to June 30, 2002, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA,
Director

AAH/pn

FINDINGS AND RECOMMENDATIONS

The examination of McKendree Village, Inc. disclosed no findings.